

## Issue Brief: Higher Education Historical Funding

### HIGHER EDUCATION APPROPRIATIONS SUBCOMMITTEE

#### SUMMARY

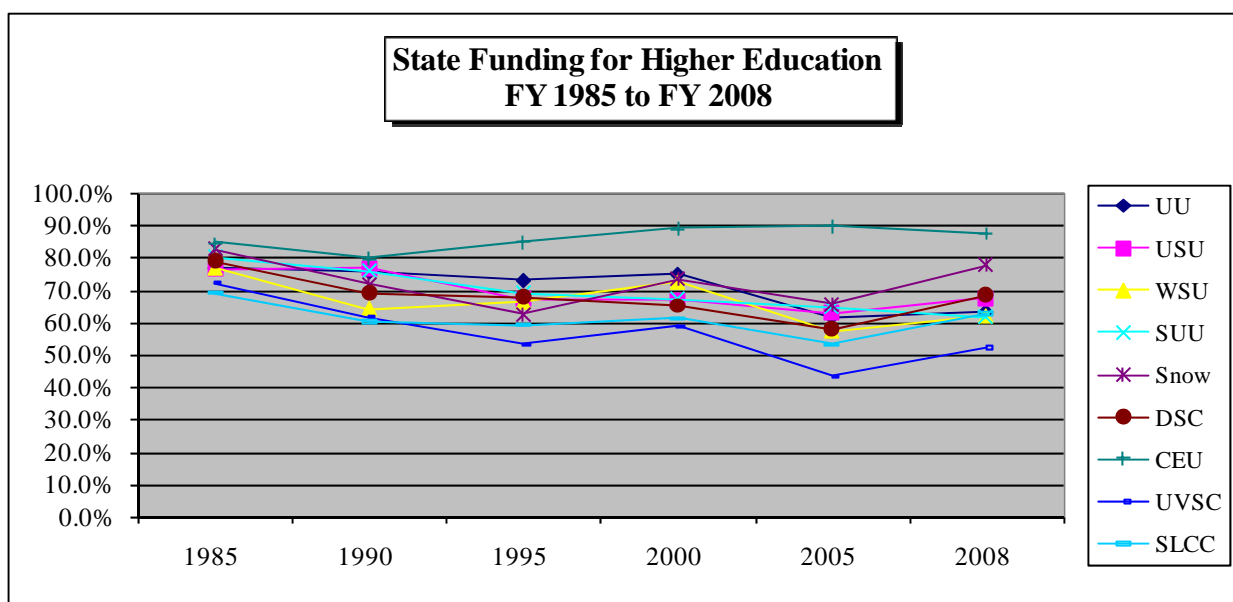
The funding of higher education in Utah has changed considerably over the past 25 years. In 1985, State tax funds provided support, on average, for 76.3 percent of higher education costs, with dedicated credits (tuition) picking up the balance. In FY 2008, the State support was 63.5 percent.

#### OBJECTIVE

The objective of this Issue Brief is to provide information as to the historical trends in the funding of higher education, along with the implications of those changes.

#### DISCUSSION AND ANALYSIS

Approximately 25 years ago, state funding, as a percentage of total funding for Higher Education, averaged 76.3 percent across all nine institutions. The range was from 84.4 percent (College of Eastern Utah) to 69 percent (Salt Lake Community College). Five years later, the average had dipped to 71.8 percent. In 1995, the average was at 67.4 percent. In FY 2000, the average increased slightly to 69.2 percent. However, the next couple of years, the state experienced revenue shortfalls and budget reductions were implemented. Following those years, in FY 2005, the percentage of funding for Higher Education from state funds had dropped to 58.8 percent. Funding approved through FY 2008 resulted in a rebound in that trend to 63.5 percent. The FY 2008 funding level shows that the College of Eastern Utah continues to have the highest percentage of state funding at 87.3 percent and Utah Valley State College has the lowest percentage at 52.2 percent (up from FY 2007's level of 48.8 percent, due mainly to funding associated with S.B. 70). The following chart shows the trend in the percentage of state funding from 1985 to 2008.



As the state funding has decreased, the other main source of funding - tuition - has increased. For the past several years, compensation increases have been funded with a combination of state funds and first-tier tuition increases. Up to FY 2007, tuition dollars were used to cover part of the compensation increases at approximately the same percentage rate as tuition funded the institution. Beginning in FY 2007, the Legislature approved capping the

percentage of tuition used to cover any compensation increase at 25 percent, with state tax funds covering the balance. Second-tier tuition increases have been recommended by institutions, with input from student representatives, and approved by the State Board of Regents, for specific proposals, such as library support, additional advising and counseling services, new faculty and student services.

This trend of decreased state funding and increased tuition is reflective of national trends. In 2005, state funding per FTE student hit a 25-year low. The funding decreased significantly from 2001 to 2004, due in part to enrollment and inflation.<sup>1</sup>

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<sup>1</sup> “State Higher Education Finance FY 2005”, State Higher Education Executive Officers; V2, 2006.